Guide to Dealing with Delinquent Debt

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Understanding Your Debt

Assess your debts.

Identify and categorize your debts, including amounts owed, interest rates, and payment terms.

Determine your financial capability.

Evaluate your income, expenses, and assets to set realistic goals.

Learn the legal aspects; is the debt within the statute of limitations? Could you or are you being sued?

Familiarize yourself with debt collection laws and your rights as a consumer.

Goal: Resolve your debt, get your finances in check, and rebuild your credit.

Creating a Repayment Plan

Make a plan you can stick to.

- Create a Debt Spreadsheet:

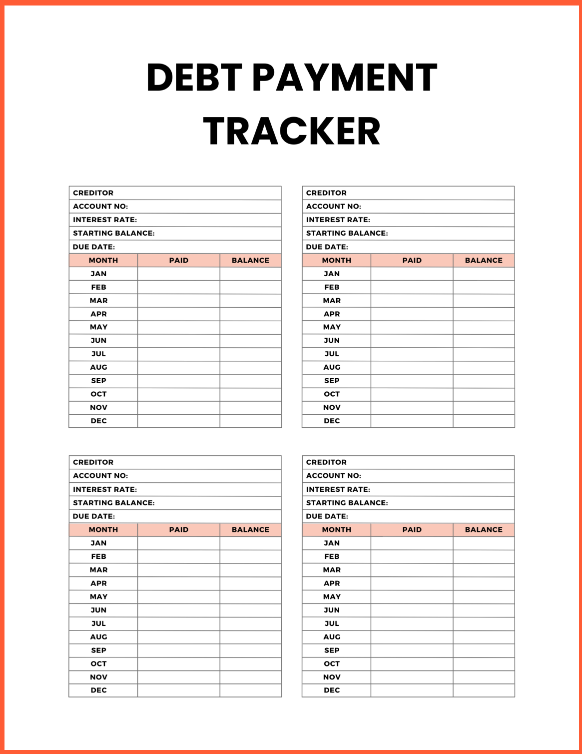
Organize all your debts in a spreadsheet to understand your financial position. This will help you keep track of the amounts owed, interest rates, and payment due dates.

- Prioritize Your Debts:

Stopping debts from going severely delinquent or getting charged off should be your priority. Debts under the threat of litigation must come first. After that choose the snowball or avalanche method (discussed in the Debt Strategy section). Check out your state's statute of limitations to determine if you can be sued/if you're sued.

- Negotiate with Creditors/Debt Collectors:

If your debt is still with your creditor, ask them if they'll eliminate the penalties and fees from your balance to reduce what you owe. Often this isn't seen as forgiveness. Both creditors and debt collectors will give you the best deal if you can make a lump sum payment. Any reduction in what you owe that exceeds $600 is considered debt cancelation and subject to the issuance of a 1099-C; however, depending on your income, this likely isn't a big deal. You may want to consult with a tax professional to understand the impact. For more information on negotiating a settlement, please see the Consumer Financial Protection Bureau (CFPB) guidance here.



DEBT PAYMENT TRACKER

CREDITOR		
ACCOUNT NO:		
INTEREST RATE:		
STARTING BALANCE:		
DUE DATE:		
MONTH	PAID	BALANCE
JAN		
FEB		
MAR		
APR		
MAY		
JUN		
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CREDITOR		
ACCOUNT NO:		
INTEREST RATE:		
STARTING BALANCE:		
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- Explore Debt Consolidation:

If your credit score is low, a debt consolidation loan will require an asset as collateral. Debt management companies will work with you for a fee to consolidate your monthly payments into one and handle paying all your creditors.

Taking Control of Your Finances

It's All About the Budget.

If you don't have a budget, start by listing all your monthly expenses and income; this will determine how much money you can allocate to debt repayment.

- Ensure your budget is realistic; feeling deprived is de-motivating, but some sacrifice will be involved.
- Housing costs are typically the largest expense, so if there's a way to reduce it, that may be a place to start.

Budgeting Techniques

50/30/20

50% needs/30%wants/20% debt

70/20/10

70% needs/20% debt/10%wants

Cut Back on Expenses

Identify areas where you can reduce spending like making coffee at home, ordering less food delivery/take-out or eating out.

Increase Your Income

Get a side hustle or find a job that pays more to accelerate debt repayment.

*Your **essential** living expenses (needs: housing, utilities, food) should dictate your split. Putting aside 20% of your income toward debt is optimal no matter which split you choose.*

Implementing Your Debt Strategy

Communicate with your creditor/lender.
Tell them if you are facing financial hardship and need a repayment plan. They want to find a solution. It's best to prevent the creditor from selling to a debt buyer. Once your debt has been charged-off and sold, you work with the debt collector/buyer.

Snowball Method
Start with the smallest debt and work your way down the list. This creates a sense of accomplishment, which is motivating.

Avalanche Method
Organize your debts according to the highest interest rates and start with the highest. This will save you the most money.

→ *Loans are typically charged off after 120 days, while credit cards are charged after 180 days of paying less than or none of the minimum. Most creditors use debt collectors to act on their behalf before and sometimes after charge-off. Once an account is charged off, your creditor may continue attempts to collect, or they may sell your debt. If your debt is sold, your creditor may send a goodbye letter with the name of your new debt owner.*

→ *If you receive a lawsuit notice or a letter indicating potential legal action, promptly contact the creditor or debt collector to negotiate a payment arrangement; make sure you do that within the legal response time required in your jurisdiction. While you should consult with a lawyer, you can negotiate a payment plan to avoid litigation without one and sign a settlement to dismiss the suit. Remember, they prefer receiving payment rather than resorting to legal action.*

→ *Consider credit counseling agencies and debt management programs if your debt is overwhelming.*

If you don't respond to a debt lawsuit, it will proceed in the courts, and your creditor/collector will receive a default judgment, allowing them to garnish your wages or place liens on property you own. If you negotiate a payment plan after being sued, make sure they file with the court to halt the litigation.

Navigating Collection Agencies

Know your rights.

Regulations govern debt collection at the federal level - Fair Debt Collection Practices Act (FDCPA) & many states have their laws. These rules dictate the frequency of calls, required debt validation, what can be included in voicemail messages, etc.

+ Creditors often use debt collectors before charging off debt.

+ If your debt has been charged off, the new owner or debt collector acting on their behalf will reach out.

+ Do a web search to find your collector's website to see if there's a way to pay online & find out your state's statute of limitation for debt lawsuits.

+ You have the right to indicate how collectors contact you, and can ask not to be called, but that doesn't stop their attempts to collect on the debt.

+ Find out whether your creditor still has your debt or if it's owned by a debt buyer; this determines who you negotiate with.

+ When your debt has a new buyer & they reach out, there's a 30-day window when they are not supposed to demand payment as you can dispute the debt.

+ If you end up on a call with a collector, be ready to pay something & have a plan for what you want to negotiate. Find out if they report to the credit bureaus.

+ Remember that all information you provide they will use to collect the debt.

+ Debt collectors are required to provide a debt validation notice, which typically comes in the mail.

+ The notice requires the name of the original creditor, the account number, amount owed, and any fees post charge-off.

+ The letter must advise how to dispute the debt & inform that after 30 days of your non-response, they assume the debt is yours (you can dispute debt at any time).

+ Most collectors request payment via check – by phone, mail or online.

+ Debt collectors prefer a lump sum payment and will typically offer the best discount (settlement) for one.

+ Any payment for less than the full amount owed is reported to the credit bureaus as such.

+ Like unresolved debt, settled vs. fully paid debt is less favorable to your credit score.

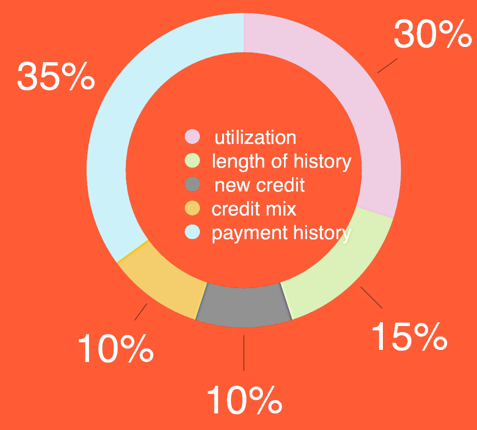
+ If the collector reports to credit bureaus under their name, you may be able to negotiate otherwise by paying.

+ Longer term payment plans are becoming more frequent, 12 – 36 months; ask if you need one.

Rebuilding Your Finances

Your Credit Score is crucial; aim for a score higher than 670

Credit Score Factors



Maintain a Budget

Having a budget is critical for good financial health. Otherwise, it's hard to know where your money is going. If you need help, consider financial management apps like Rocket Money, Nerd Wallet or You Need a Budget.

Establish Savings

Start saving once you are debt-free or have a strong handle on it. The 20% allocated to debt should eventually transition to 20% in savings. Ideally, have savings to cover at least four months of living expenses.

Use Credit Builder Products

There are credit building products including microloans, reporting routine payments like Netflix and utility payments and even your rent. Only pursue these products if you pay them on time each month, or it can hurt your credit.

Seek New Credit

Once you feel like you're on good financial footing, it's important to establish new credit. Avoid predatory credit products that require annual or set-up fees or have interest rates over 30%. Your best bet might be a small personal loan or a secured credit card.

Avoid Credit Card Debt

Unsecured credit cards play an outsized role on credit scores. It's important to show usage, but not to carry balances month-to-month. Don't utilize more than 30% of your credit limit across credit card accounts.

Monitor Your Credit Score

You are entitled to a free annual three-bureau credit report, and many financial products make credit scores available. Keeping your score on track is essential so that when you want a travel rewards credit card, a car, home, or business loan, etc., you can get approved and get the best interest rate available.

The only way to build credit is with credit. Credit scores are based on open accounts, so to rebuild, you need them. Payment history is the largest credit score factor – 35% - so paying on time is key. Scores range from 300 – 850, with anything under 670 considered subprime, which means a lower likelihood of approval, more expensive interest rates, higher fees, and lower credit limits.

Glossary of Terms

Debt collection: *Recovering outstanding debts from individuals (or businesses) who have missed payments.*
Debt Collector: *Your creditor or a third-party debt collection agency, acting for your creditor or themselves, attempting to collect debt owed.*
Creditor: *A company or financial institution that lends money or extends credit to another party.*
Charged-off Debt: *Debt that a creditor has determined as unlikely to be fully collected, typically after 180 days of non-payment. It is a financial accounting term and does not mean the debt is forgiven or no longer owed. Charged-off debt is often sold to debt collection agencies for further collection.*
Statute of Limitations: *When referring to debt collection, it's the timeframe a creditor/collector can sue you for a charged-off, non-government debt (it varies in each state).*
Debt Settlement: *Negotiating with creditors or a debt collector to pay a reduced repayment amount to satisfy a debt.*
Debt Consolidation: *Combining multiple debts, such as credit card debts or loans, into a single debt with a new loan or credit account to create one monthly payment.*
1099-C: *An IRS Debt Cancelation form debt collectors or creditors provide when you settle a debt for less than owed, and the reduction is $600 or more, reporting it as income.*
Secured Credit Card: *A credit card requiring a monetary deposit as collateral, providing an initial credit limit equal to or a percentage of the deposit amount.*
Credit Builder Product: *A financial product or service designed to help individuals establish or improve their credit history and score.*
Credit Score: *A numerical representation, ranging from 300 - 850, of creditworthiness based on five weighted factors, including payment history, credit utilization, length of credit history, types of credit, and new credit applications. Lenders and creditors use credit scores to assess lending risk and determine interest rates and terms.*
Debt Management: *Refers to creating a repayment plan, negotiating with creditors, and implementing strategies to repay debts based on a person's financial position.*
Credit Repair: *This involves improving a person's credit history and credit score by disputing inaccurate or outdated information on credit reports, making timely payments, and reducing debt.*
Credit Counseling: *Seeking help from a qualified professional or an agency to receive guidance and education about personal finance, debt management, budgeting, and credit improvement.*
FICO Score: *One of the two major credit scoring models for assessing creditworthiness, it is the most widely used.*
VantageScore: *The second most common credit scoring model developed collaboratively by the three major credit bureaus (Equifax, Experian, and TransUnion) to evaluate credit applicants.*
Credit Reporting (*also known as* **Furnishing**)**:** *The process of providing information about a consumer's credit accounts, including their balances, credit limits, and payment history, to the three credit bureaus TransUnion, Experian, and Equifax.*
Credit Report: *A detailed record of an individual's credit history, providing the basis for credit scoring. Key components typically included in a credit report:*

- *Personal Information*
- *Credit Accounts*
- *Payment History*
- *Public Records*
- *Inquiries (credit applications)*

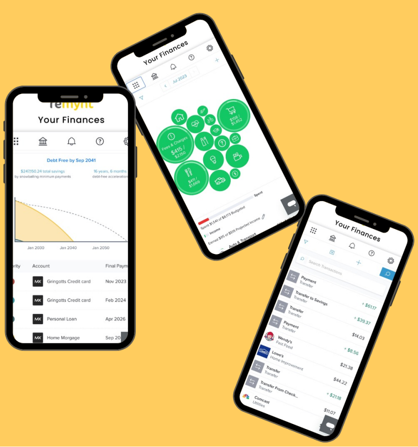
About remynt

Empowering consumers to rebuild credit while resolving delinquent debt.

We're on a mission to empower consumers who have made credit card mistakes to regain control and reset themselves to a more secure financial future.

Built based on our founder's experience of climbing out of delinquent debt, we buy portfolios of charged-off credit card debt and offer the opportunity to rebuild and earn new credit, a savings account, financial management tools, a community, and rewards for repayment.

We want to see consumers like you #getremynted to a better financial future.



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